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# The Compliance Connection

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State Corporation Commission - Bureau of Financial Institutions  
Regulatory News for Virginia Mortgage and Consumer Finance Licensees

Spring 2001

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The Compliance Connection is published quarterly and is part of the Bureau's efforts to improve communication with the companies we regulate. It is distributed to Virginia mortgage, consumer finance, industrial loan and non-profit debt counseling agency licensees and other interested parties. We encourage you to read each newsletter and distribute the information to all staff members.

Suggestions and comments concerning the newsletter or its contents should be addressed to the Bureau at P.O. Box 640, Richmond, Virginia 23218-0640 or via e-mail at: [nwalker@scc.state.va.us](mailto:nwalker@scc.state.va.us).

Special thanks to Susan Hancock, Bill Schutt and Jon Orne for their contributions to this issue!

## General Assembly Passes New Laws:

The Virginia General Assembly passed and the Governor signed bills that amend the Consumer Finance Act and the Mortgage Lender and Broker Act. The laws enacted by the 2001 General Assembly relating to Financial Institutions are available on the Bureau's web site:

<http://www.state.va.us/scc/division/banking/index.htm>. The 2001

Supplement to the Laws of Virginia Related to Non-Depository Financial Services will be mailed to all licensees once printed, later this summer.

**All law changes go into effect July 1, 2001.** The following is a brief summary of the bills passed. Please review the entire statute and consult your legal counsel with any questions that you may have about how these changes will affect your operations.

### **Senate Bill 863 Consumer Finance Act; loan amounts.**

This bill repeals the restrictions that currently limit the maximum amount of loans under the Act to \$6,000 and the maximum term of such loans to 61 months. It also authorizes licensed lenders to impose a late charge, not to exceed five percent of the delinquent loan installment and to charge loan processing fees. Reference §§ 6.1-249, 6.1-272.1, 6.1-278, 6.1-285, 6.1-288, 6.1-291, of the Code of Virginia. Section 6.1-286 of the Code was repealed. (continued on Page 5)

## Surety Bond Requirement Increases:

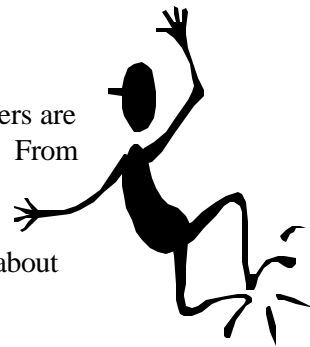
Section 6.1-413 of the Code of Virginia was amended to require licensees to provide a bond "in the sum of \$25,000 or such greater sum as the Commissioner may require". Commissioner Face issued Administrative Ruling 1609, which sets the surety bond requirements for licensed mortgage lenders and/or brokers. Effective July 1, 2001, mortgage broker licensees and applicants must have a surety bond for \$25,000 and mortgage lender and lenders/broker licensees and applicants must have a surety bond in the amount of \$50,000 in place with the Bureau. A copy of this Ruling was mailed to each mortgage licensee during the week of May 22, 2001.

Currently, the minimum bond is \$5,000 for brokers and \$10,000 for lenders and lender/brokers. In recent years, it has been necessary to file claims against licensee's bonds and in several instances, the amount of the bond has been insufficient to cover the amount of the claims filed on behalf of consumers. Bureau staff also researched bond requirements in other states before the decision to increase the bond amounts were made.

**NOTE:** A rider increasing your current bond to the new required amount is acceptable. A copy of Administrative Ruling 1609 is available on our web site at: <http://www.state.va.us/scc/division/banking/adminrules.htm>.

## Appraiser Information:

Did you know that you can check the license status of Virginia appraisers on the web? Appraisers are licensed through the Virginia Department of Professional and Occupational Regulation (DPOR). From DPOR's website, <http://www.dpor.state.va.us/regulantlookup/>, you can verify the appraiser's license type, license number, address, initial certification date and expiration date. Information can be searched either by the individual appraiser's name or by the business' name. To inquire about complaint information, contact DPOR's Enforcement Division at (804) 367-8504.



## License Update:

The following is a list of companies who have surrendered their license, had their license revoked, application denied or been fined by the Commission **since February 15, 2001**. We hope the list is helpful in keeping track of companies with which you do business. **These lists are accurate as of May 15, 2001.** Call the Bureau if you have a question concerning a recent denial, surrender or regulatory action taken by the Commission. A list of current mortgage licensees is available on our website at:

<http://www.state.va.us/scc/division/banking/vamortgagelist.htm>.

### MORTGAGE LICENSES SURRENDERED SINCE FEBRUARY 15, 2001

MB – 1400 James Russell Stephenson – 2/16/01	MB – 1668 Carol Kessler Tear – 2/22/01
MB – 885 Margaret E. Hill – 2/16/01	MB – 1146 Hedwig Katharina Crosswhite – 2/22/01
MB – 214 Phil L. Hatcher – 2/16/01	MB – 679 Leslie James Cotsamire – 2/22/01
MB – 1172 Richard Alan Kavanaugh – 2/16/01	ML – 272 WMA Mortgage Services, Inc. – 2/26/01
MB – 240 Elizabeth R. Hitchcock – 2/16/01	MB – 593 Chistopher Lieberman T/A ABC Home Mortgage – 2/26/01
MB – 210 Larry D. Hogston – 2/16/01	ML – 196 Advanta Finance Corp. – 2/28/01
MB – 220 Roy E. Nunn – 2/16/01	MLB – 220 First Jefferson Mortgage Corporation d/b/a First Jefferson Funding – 3/1/01
MB – 1549 William E. Hendricks – 2/16/01	MB – 1121 The Mortgage Vault, Inc. – 3/2/01
MB – 172 Sheldon D. Walter – 2/16/01	ML – 427 LoansDirect, Inc. – 3/9/01
MB – 459 James M. Cumming, II – 2/16/01	MB – 1486 Access Equity, LLC – 3/12/01
MB – 152 Norma M. Skeete – 2/16/01	MB – 1186 Mountain Empire Mortgage Broker, Inc. – 3/14/01
MB – 1344 William F. Young – 2/16/01	MB – 137 Douglas R. Fox d/b/a Fox Mortgage Associates – 3/14/01
MB – 839 Mary Clare Hatley – 2/16/01	ML – 269 Transamerica Mortgage Company – 3/15/01
MB – 678 Esther Martinez-Baldivia – 2/16/01	MB – 1155 First Horizon Home Mortgage, Inc. – 3/15/01
MLB – 598 Charles F. Curry Company – 2/21/01	(continued on next page...)
MB – 1468 Samuel E. Bishop, III – 2/21/01	
MB – 1469 Jeanette C. Bishop – 2/21/01	
MB – 199 Peggy Turner – 2/21/01	
MB – 1348 John R. Graves – 2/22/01	

**LICENSES SURRENDERED (continued)**

MB – 574 John J. LaMorte – 3/19/01  
 MB – 1346 Linda Gubitosi – 3/19/01  
 MB – 879 James Kevin Burcham – 3/19/01  
 MB – 775 Barbara Ann Sauls – 3/19/01  
 MB – 655 Jer-Tag Enterprises, Inc. d/b/a Jer-Tag Mortgage – 3/21/01  
 MB – 1507 Beacon Mortgage Services, Inc. – 3/22/01  
 MB – 317 Equity One of Virginia, Inc. – 3/23/01  
 MB – 235 Crosstate Mortgage & Investments, Inc. – 3/30/01  
 MLB – 553 Malone Mortgage Company America, Ltd. L.P. (used in Virginia by Malone Mortgage Company of America, Ltd.) – 3/31/01  
 MLB – 577 First National Funding Corporation of America d/b/a FNF Mortgage – 4/5/01  
 MB – 1066 Quan N. Phung d/b/a Sunrise Mortgage – 4/9/01  
 MB – 365 Eastern Fidelity Mortgage Corporation – 4/9/01

MLB – 287 Fundmor, Inc. – 4/9/01  
 MLB – 340 Residential Money Centers, Inc. – 4/12/01  
 MLB – 544 Century Financial Group, Inc. – 4/13/01  
 MB – 1258 Divinity Mortgage Corporation – 4/18/01  
 MLB – 641 Parkway Mortgage, Inc. – 4/19/01  
 MB – 181 Firstport Mortgage Corporation – 4/27/01  
 MLB – 369 First Republic Mortgage Corporation – 4/27/01  
 MB – 1463 Northern Virginia Mortgage Corporation – 4/27/01  
 ML – 246 Cross Keys Capital, L.P. – 4/30/01  
 MLB – 434 Unity Mortgage Corp. d/b/a The Reverse Mortgage Company – 5/4/01  
 ML – 292 Financial Network Alliance, L.L.P. – 5/8/01  
 ML – 436 Western Home Mortgage Corporation – 5/10/01  
 MLB – 620 Evergreen Moneysource Mortgage Company d/b/a firsttimeloan.com – 5/11/01

**MORTGAGE LICENSE REVOCATIONS SINCE FEBRUARY 15, 2001**

MB – 1008 United Mortgage & Financial Services, Inc. – for failure to pay annual fee pursuant to §6.1-420 of the Code of Virginia -- 3/2/01  
 ML – 348 Metropolitan Home Mortgage Corporation of New York – for failure to pay annual fee pursuant to §6.1-420 of the Code of Virginia -- 3/2/01  
 ML – 378 Lakeland Regional Mortgage Corporation – for failure to pay annual fee pursuant to §6.1-420 of the Code of Virginia -- 3/2/01  
 MB – 1343 American Trust Mortgage Corp. – for failure to pay annual fee pursuant to §6.1-420 of the Code of Virginia -- 3/2/01  
 MLB – 481 California Lending Group, Inc. d/b/a United Lending Group – for failure to pay annual fee pursuant to §6.1-420 of the Code of Virginia -- 3/2/01  
 MLB – 303 Capitol Mortgage Bankers, Inc. – for failure to pay annual fee pursuant to §6.1-420 of the Code of Virginia -- 3/2/01  
 MLB – 413 Imperial Home Loans, Inc. – for failure to pay annual fee pursuant to §6.1-420 of the Code of Virginia -- 3/2/01  
 (continued on next page)



**LICENSES REVOKED (continued)**

- MLB – 492 Gulfstream Financial Services of N.C., Inc. – for failure to pay annual fee pursuant to §6.1-420 of the Code of Virginia -- 3/2/01
- MB – 1206 Elite Financial Services, Inc. – for failure to pay annual fee pursuant to §6.1-420 of the Code of Virginia 3/2/01
- ML – 263 DMR Financial Services, Inc. d/b/a DMR Mortgage Services – for failure to pay annual fee pursuant to §6.1-420 of the Code of Virginia -- 3/2/01
- MB – 1306 Davenport-Dukes Mortgage Service Corporation – for failure to pay annual fee pursuant to §6.1-420 of the Code of Virginia -- 3/2/01
- MB – 1457 Robert W. Carty d/b/a Highland Mortgage – for failure to pay annual fee pursuant to §6.1-420 of the Code of Virginia -- 3/2/01
- ML – 321 American Mortgage Capital, Inc. – for failure to continuously maintain surety bond as required by §6.1-413 of the Code of Virginia -- 5/7/01
- MB – 1090 Potomac Mortgage Corporation – for failure to continuously maintain surety bond as required by §6.1-413 of the Code of Virginia -- 3/30/01

**PENALTIES PAID BY MORTGAGE LICENSEES SINCE FEBRUARY 15, 2001**

- MLB – 453 CBSK Financial Group, Inc. d/b/a American Home Loans – 5/14/01 – paid a settlement of \$5,000 for various violations of the Mortgage Lender and Broker Act

**MORTGAGE APPLICATIONS DENIED SINCE FEBRUARY 15, 2001**

- MB – 1680 Sabatini & Associates, LLC – 3/26/01
- ML – 477 Select Mortgage Corporation – 5/4/01

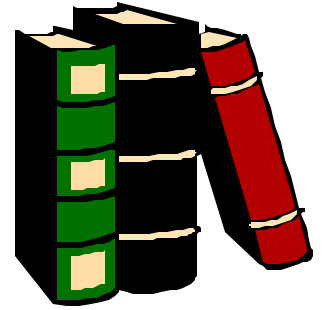
**IMPORTANT COMMISSION TELEPHONE NUMBERS**

- Consumer Finance and Mortgage Examinations ....(804) 371-9701
- Licensing (applications, name changes, relocations).....(804) 371-9690
- Consumer Complaints.....(804) 371-9705
- Banks and Savings Institutions.....(804) 371-9704
- Corporate Information – Clerk's Office.....(804) 371-9733
- FAX Number for the Bureau of Financial Institutions.....(804) 371-9416

## **New Laws (continued from Page 1)**

### **House Bill 2471: Mortgage Lender and Broker Act: exemption for real estate broker.**

This bill allows a real estate broker who (1) is either an owner of an interest in a real estate firm, or (2) acts as a real estate broker in a sole proprietorship, to have an ownership interest in a mortgage broker or lender, or to receive returns on investments arising from such ownership, or payment of compensation for services actually performed for the mortgage lender or broker. Reference § 6.1-422C of the Code of Virginia.



### **House Bill 2787: Mortgage Lenders and brokers ; predatory lending practices.**

This bill (1) increases the maximum penalty for a violation of the Mortgage Lender and Broker Act from \$1,000 to \$2,500, and (2) increases the amount of the bond that mortgage lenders and broker are required to post from \$5,000 to \$25,000 (see "Surety Bond Requirement Increases" article on Page 1 of this issue for more details). It also prohibits a mortgage lender from recommending or encouraging a person to default on an existing loan or other debt, if such default adversely affects a person's credit worthiness, in connection with the solicitation or making of a refinancing mortgage loan. Reference §§ 6.1-413, 6.1-422, 6.1-428 of the Code of Virginia.

### **Senate Bill 1103: Mortgage brokers ; licensure.**

This bill provides that bona fide employees and exclusive agents of a licensed mortgage broker may negotiate, place or find mortgage loans without obtaining their own license under the Mortgage Lender and Broker Act, *subject to conditions set forth by the Commission*. Reference § 6.1-410 of the Code of Virginia.

### **House Bill 2708: Mortgage loans; prohibits "flipping".**

This bill prohibits mortgage lenders and brokers from flipping mortgage loans. "Flipping" a mortgage loan means refinancing a mortgage loan within 12 months after the refinanced loan was originated, when the new loan does not result in any benefit to the borrower considering all of the circumstances. The Attorney General's office is authorized to enforce the prohibition. Reference §§ 6.1-422.1, 6.1-430 of the Code of Virginia.

## **Additional Information Available Online!**

Administrative Rulings are now available on our web site(<http://www.state.va.us/scc>)! In the past, the only way to obtain these rulings were via fax or by mail, but now you can reference them with the touch of a few keys on your computer! Also, by accessing the Commonwealth's Legislative Information System, you can see the statutes that were passed or amended during this past session of the General Assembly. To locate specific bills passed during this last session, visit: <http://leg1.state.va.us/011/bil.htm> and enter the bill number!

## **Attention New Mortgage Licensees:**

Friday, August 17, 2001 is the date of the next orientation for new mortgage licensees. Companies who are licensed between April 1, 2001 and June 30, 2001 will receive information about the session. Orientation begins at 9:30 a.m. at our office and concludes around 4:00 p.m. Licensees who were unable to attend previous sessions should also register. Space is limited, but we will make every attempt to accommodate interested parties. Call Carol Foster at (804) 371-9701 to register!





**State offices will be closed on Wednesday, July 4, 2001 in observance of Independence Day.**



**Bureau of Financial Institutions  
State Corporation Commission  
P.O. Box 640  
Richmond, Virginia 23218-0640**

**IMPORTANT REGULATORY  
INFORMATION ENCLOSED!!!**